

Message Text

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ACTION EUR-12

INFO OCT-01 NEA-10 ISO-00 IGA-02 AID-05 CEA-01 CIAE-00
COME-00 EB-08 FRB-03 INR-07 NSAE-00 CIEP-01 SP-02
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FM USMISSION EC BRUSSELS
TO SECSTATE WASHDC 3076
AMEMBASSY CAIRO
INFO AMEMBASSY JIDDA
AMEMBASSY KUWAIT

C O N F I D E N T I A L EC BRUSSELS 1588

E.O.11652: GDS
TAGS: EAID EG EEC
SUBJECT: EMERGENCY AID TO EGYPT

REF: (A) STATE 32112 (B) EC BRUSSELS 1370
(C) EC BRUSSELS 487

1. MISSION OFFICER REVIEWED WITH COMMISSION OFFICIALS US PLANS FOR EMERGENCY AID TO EGYPT AS SET FORTH IN REF. A. COMMISSION OFFICIALS DO NOT EXPECT THE COMMUNITY TO PROVIDE ADDITIONAL ASSISTANCE TO EGYPT AT THIS TIME. THEY NOTE THAT IT TOOK AN EXTRAORDINARY EFFORT TO OBTAIN COUNCIL APPROVAL OF THE 100,000 MT CEREAL FOOD AID FOR 1977. (SEE REF. B.) THESE OFFICIALS ADD THAT SEVERAL MEMBER STATES, SUCH AS THE FRG, FRANCE AND ITALY, ARE CONSIDERING ADDITIONAL BILATERAL AID TO EGYPT. ITALY REPORTEDLY IS CONSIDERING A 40 BILLION LIRA CREDIT.

2. COMMISSION OFFICIALS ADD THAT DURING INFORMAL TALKS WITH ARAB OFFICIALS AT THE EURO/ARAB DIALOGUE IN TUNIS, SAUDI AND KUWAITI OFFICIALS EXPRESSED CONCERN OVER EGYPT'S ABILITY TO ABSORB EFFECTIVELY CURRENT LEVELS OF ARAB FINANCIAL ASSISTANCE. THEY
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INDICATED THAT ARAB PROGRAM AID TO EGYPT WAS GOING INTO A "BOTTOMLESS PIT". INEFFECTIVE GOE MANAGEMENT AND ADMINISTRATIVE BOTTLENECKS HAVE UNDERCUT THE IMPACT OF ARAB AID. AS A RESULT, ARAB OFFICIALS WOULD LIKE TO SHIFT THEIR AID TO SPECIFIC PROJECTS, EVEN THOUGH THIS MIGHT SLOW DOWN FINANCIAL TRANSFERS TO THE GOE. SAUDI AND KUWAITI OFFICIALS REPORTEDLY ADD, HOWEVER, THAT THEY HAVE NO INTENTION OF REDUCING CURRENT AID LEVELS TO THE GOE.

3. COMMISSION OFFICIALS PLAN TO VISIT CAIRO IN EARLY MARCH TO DISCUSS WAYS THAT THEY MIGHT IMPLEMENT THE NEW EC/EGYPTIAN COOPERATION AGREEMENT. THEY PLAN TO OFFER MANAGEMENT AND TECHNICAL EXPERTISE TO EXPEDITE THE USE OF AID AND TO PROMOTE PRIVATE INVESTMENT. THESE OFFICIALS HAVE IN MIND PROPOSING THE ESTABLISHMENT OF A FINANCIAL MANAGEMENT UNIT WHICH WOULD TRY TO IMPROVE GOE EFFICIENCY BY IDENTIFYING PROBLEMS THAT ARE IMPEDING FINANCIAL FLOWS. WHEN NECESSARY THE UNIT WOULD BRING THESE PROBLEMS TO THE TOP LEVELS OF THE GOE BUREAUCRACY IN ORDER TO EXPEDITE DECISIONS. THIS UNIT WOULD BE SET UP IN THE SUEZ CANAL "FREE TRADE AREA" AND WOULD BE COMPOSED OF EUROPEAN OFFICIALS. THE UNIT'S SERVICES WOULD BE AVAILABLE TO ALL AID DONORS AND FOREIGN PRIVATE INVESTORS.

4. COMMISSION OFFICIALS CAUTION THAT THIS IS STILL A TENTATIVE IDEA. THEY ARE FEARFUL THAT GOE OFFICIALS MAY ACCUSE THE EC OF "NEO-COLONIALISM" BECAUSE THE UNIT WOULD INTERFERE IN INTERNAL GOE PROCEDURES. THESE OFFICIALS ADD THAT THE US/EGYPTIAN BUSINESS COUNCIL RECENTLY DISCUSSED SIMILAR PROBLEMS. THEY UNDERSTAND THAT THE COUNCIL CONCLUDED THAT THE GOE MUST SPEED UP ADMINISTRATIVE PROCEDURES, IF THE GOE WANTED TO RECEIVE ADDITIONAL FOREIGN PRIVATE INVESTMENT. COMMISSION OFFICIALS WOULD LIKE TO RECEIVE FURTHER INFORMATION REGARDING THE BUSINESS COUNCIL'S DISCUSSION ON THIS MATTER.

5. ACTION REQUESTED: THE MISSION WOULD APPRECIATE RECEIVING A REPORT ON THE RECENT DISCUSSION OF THE US/EGYPTIAN BUSINESS COUNCIL REGARDING WAYS TO PROMOTE FOREIGN PRIVATE INVESTMENT IN EGYPT. MORRIS
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